

Date: October 31, 2019

To: Honorable Sally Bagshaw, Chair, Budget Committee
Kirstan Arestad, Council Central Staff Director

From: Ben Noble, City Budget Director

RE: November update of revenue forecast

Attached is the November 2019 update to the City of Seattle's August General Fund forecast and notable non-General Fund revenues. The August forecast is the basis for the Mayor's 2020 Proposed Budget. This update provides a very small 0.026% decrease in 2019 General Fund revenues of \$358,926 for a total of \$1,351,141,760 and a 0.083% increase in 2020 General Fund revenues of \$1,216,427 for a total of \$1,458,806,311.

Although offset by modest increases in sales tax revenues, the overall decrease in 2019 is due to the Business and Occupation (B&O) tax coming in below forecast, downward adjustments to on-street parking and a reduction in expected short-term rental regulatory fees. For 2020, in addition to an increase in sales tax revenues, this update adds \$1,322,000 in transfer revenues from the IT Fund, which was not captured in the 2020 Proposed Budget. Against these increases, however, are a series of reductions to property taxes, on-street parking revenues, revenues from car-sharing street use fees, short-term rental regulatory fees, and the heating oil tax. Reductions in the property tax are due to new construction values being somewhat lower than originally forecast. On-street parking revenue reductions are primarily due to lower paid occupancy rates than previously forecasted. Car share revenues are declining in 2020 based on the closure of the Lime car share service in Seattle. The reduction in short-term rental fees is a reflection of actual compliance and revenues lagging previously forecast expectations.

Non-General Fund revenue adjustments forecast by the City Budget Office include increased sales tax revenues for 2019 and 2020 in the Seattle Transportation Benefit District (STBD) Fund and a 2020 decrease in sales tax revenues to the Low-Income Housing Fund. The latter is the sales tax revenue for low-income housing provided for under SHB1406 and authorized in Resolution 31893 and Ordinance 125887 this past August. The State language allows the City to collect the authorized sales tax for 20 years up to a fixed maximum amount as calculated by the State Department of Revenue. This decrease in housing revenue is due to a reduction, relative to estimate, in the maximum allowed amount.

STBD revenues are limited in use. Although the City of Seattle assumed the rights, authority and obligations of the Seattle TBD in 2016, STBD expenditures are restricted per STBD Resolution 12, which specifies funds can be used for transit service purchase, low income access to transit and VLF rebates for income qualified people. Per state statute (RCW 36.73.160), TBDs must adopt via ordinance a material change policy to make significant changes to prior approved district financing plans. Council last made such a change in June of 2018 to allow for spending on capital projects that improve speed and

reliability of transit as well as the ORCA Opportunity program, which provides bus passes for Seattle Public Schools students.

Should you have questions or inquiries about these revenue changes or other revenue matters, please let me know or contact Dave Hennes (4-0537).

Attachment

Cc: Tom Mikesell, Council Central Staff
Lise Kaye, Council Central Staff